

**STATE BUILDING AUTHORITY OF  
THE STATE OF MICHIGAN**  
(a blended component unit of the  
State of Michigan)

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**For the Year Ended  
September 30, 2008**



**REHMANN ROBSON**

*Certified Public Accountants*

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Table of Contents

---

	<b><u>PAGE</u></b>
<b>Independent Auditors' Report</b>	1-2
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</b>	3-4
<b>Management's Discussion and Analysis</b>	5-7
<b>Basic Financial Statements</b>	
Statement of Net Assets	8
Statement of Activities	9
Statement of Net Assets and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances	11
Notes to Financial Statements	12-21
<b>Independent Auditors' Report on Supplementary Information</b>	22
<b>Supplementary Information</b>	
Commercial Paper Program, Series 5:	
Project Balance Sheet	23
Schedule of Project Revenue, Expenditures and Changes in Project Equity	24
1998 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	25
Schedule of Project Revenue, Expenditures and Changes in Project Equity	26

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Table of Contents (Continued)

---

	<b><u>PAGE</u></b>
<b>Supplemental Information (Continued)</b>	
2001 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	27
Schedule of Project Revenue, Expenditures and Changes in Project Equity	28
2003 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	29
Schedule of Project Revenue, Expenditures and Changes in Project Equity	30
2003 Revenue Refunding Bonds, Series II:	
Project Balance Sheet	31
Schedule of Project Revenue, Expenditures and Changes in Project Equity	32
2004 Revenue and Refunding Revenue Bonds, Series I:	
Project Balance Sheet	33
Schedule of Project Revenue, Expenditures and Changes in Project Equity	34
2005 Revenue Refunding Bonds, Series I:	
Project Balance Sheet	35
Schedule of Project Revenue, Expenditures and Changes in Project Equity	36
2005 Revenue and Revenue Refunding Bonds, Series II:	
Project Balance Sheet	37
Schedule of Project Revenue, Expenditures and Changes in Project Equity	38
2005 Multi-Modal Revenue Bonds, Series IIA and IIB:	
Project Balance Sheet	39
Schedule of Project Revenue, Expenditures and Changes in Project Equity	40
2006 Revenue Refunding Bonds, Series IA and IB:	
Project Balance Sheet	41
Schedule of Project Revenue, Expenditures and Changes in Project Equity	42

**STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN**

**Table of Contents (Concluded)**

---

	<b><u>PAGE</u></b>
<b>Supplemental Information (Concluded)</b>	
2007 Multi-Modal Revenue Bonds, Series I:	
Project Balance Sheet	43
Schedule of Project Revenue, Expenditures and Changes in Project Equity	44
Schedule of Bonds Payable (at Par), Including Mandatory Redemption Provisions	45



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



## **INDEPENDENT AUDITORS' REPORT**

November 21, 2008

Mr. Patrick Devlin, Chairperson  
State Building Authority of the State of Michigan  
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the *State Building Authority of the State of Michigan*, a blended component unit of the State of Michigan, as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the State Building Authority of the State of Michigan at September 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis presented on pages 5 through 7 is not a required part of the basic financial statements, but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated November 21, 2008, on our consideration of the State Building Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large, prominent 'L' and 'J'.

**Independent Auditors' Report on Internal  
Control over Financial Reporting and on  
Compliance and Other Matters Based  
on an Audit of Financial Statements  
Performed in Accordance with  
*Government Auditing Standards***



**REHMANN ROBSON**

*Certified Public Accountants*

*A member of* **THE REHMANN GROUP**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

November 21, 2008

Mr. Patrick Devlin, Chairperson  
State Building Authority of the State of Michigan  
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

We have audited the financial statements of the governmental activities and each major fund of the State Building Authority of the State of Michigan, a blended component unit of the State of Michigan, as of and for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State Building Authority of the State of Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State Building Authority of the State of Michigan's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the State Building Authority of the State of Michigan and the Auditor General of the State of Michigan and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

## **Management's Discussion and Analysis**

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Management's Discussion and Analysis

This section of the annual financial report of the State Building Authority (the "Authority") presents our discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2008. The Authority is a blended component unit of the State of Michigan (the "State"). Readers are encouraged to consider this information in conjunction with the accompanying financial statements and notes.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements consist of 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Because the Authority is a blended component unit of the State of Michigan, all of the statements presented in this discussion focus on the Authority, an individual part of the government, reporting only on that one component within the State of Michigan.

- The financial statements and management's discussion and analysis provide both long and short-term information about the Authority's overall financial status.
- Management's discussion and analysis provides a narrative overview of the financial statements from management's perspective.
- The basic financial statements provide information about the Authority's overall financial status.
- The notes to the financial statements explain some of the information in the financial statements and provide more detailed data.

### Condensed Financial Information

<u>Fiscal year ended September 30</u>	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Total net assets, all restricted	\$ 53,249,951	\$ 60,861,483
Total assets	3,324,784,907	3,249,465,345
Short-term debt	210,310,000	146,700,000
Long-term liabilities	2,997,536,543	2,883,546,428
Total liabilities	3,271,534,956	3,188,603,862
Revenues:		
Program revenues, primarily lease revenue	133,308,818	134,247,944
General revenues, entirely investment earnings	4,124,377	7,554,337
Expenses	145,044,727	138,765,918
Change in net assets	(7,611,532)	3,036,363

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Management's Discussion and Analysis - (Continued)

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains two governmental funds.

Unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide an adjustment column to facilitate this comparison between governmental funds and the government-wide financial statements.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-21 of this report.

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Management's Discussion and Analysis - (Concluded)

### Financial Analysis of the Authority

Net assets of the Authority decreased \$7,611,532 to an ending balance of \$53,249,951. The decrease in net assets is the result of increased expenses for interest and fiscal charges and reduced revenues from investment income due to the market volatility experienced over the past year.

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental funds reported a combined ending fund balance of \$8,471,219, a decrease of \$40,098,253 in comparison with the prior year. This amount was comprised of debt service fund balance of \$219,518,382, and a fund balance deficit in the capital projects fund of \$211,047,163. This deficit has been and continues to be largely the result of the Authority's use of short-term debt to finance certain project costs in advance of bonding.

### Long-term Debt Activity

During the current year, the Authority issued \$96,500,000 of multi modal revenue bonds to primarily fund various projects previously financed on a short-term basis through the Authority's commercial paper program. Further information on long-term debt can be found in the notes to the financial statements.

### Recent Events

On November 6, 2008, the Authority issued an additional \$9,385,000 of commercial paper notes at an interest rate of 1.00% per annum maturing November 20, 2008.

On November 7, 2008, the Authority sold \$192,275,000 of 2008 Revenue and Revenue Refunding Bonds, Series I to: (1) refund the 2005 Multi Modal Revenue Bonds, Series IIA and IIB; (2) fund new projects temporarily financed under the Authority's commercial paper program; (3) fund a debt service reserve account; and (4) pay the costs of issuance.

There are no other known facts, decisions, or conditions in terms of events that occurred subsequent to September 30, 2008 through the date of this report that are expected to effect the Authority's financial position or results of operations.

## **Basic Financial Statements**

**State Building Authority of the State of Michigan**  
**Statement of Net Assets**  
**September 30, 2008**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Investments	\$ 236,111,751
Accrued interest receivable	332,598
Current portion of leases receivable	93,066,256
Project costs in progress	<u>215,603,703</u>
Total current assets	<u>545,114,308</u>
<b>Noncurrent assets</b>	
Debt issuance costs, net	15,674,115
Leases receivable, net of current portion	<u>2,763,996,484</u>
Total noncurrent assets	<u>2,779,670,599</u>
<b>Total assets</b>	<u>3,324,784,907</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable and other liabilities	186,692
Due to State of Michigan	17,019,224
Accrued interest payable	46,482,497
Short-term debt	210,310,000
Current portion of long-term debt	<u>100,475,000</u>
Total current liabilities	374,473,413
<b>Long-term liabilities</b>	
Long-term debt, net of current portion	<u>2,897,061,543</u>
<b>Total liabilities</b>	<u>3,271,534,956</u>
<b>NET ASSETS</b>	
Restricted for debt service and construction	<u><u>\$ 53,249,951</u></u>

The accompanying notes are an integral part of these financial statements.

**State Building Authority of the State of Michigan**  
**Statement of Activities**  
**Year Ended September 30, 2008**

	<b>Governmental Activities</b>
<b>Expenses</b>	
General government - administration	\$ 869,127
Interest on long-term debt	143,298,169
Amortization of debt issue costs	<u>877,431</u>
Total expenses	<u>145,044,727</u>
<b>Program revenues</b>	
Charges for services:	
Lease revenue	133,308,581
Other revenue	<u>237</u>
Total program revenues	<u>133,308,818</u>
Net revenue (expense)	(11,735,909)
<b>General revenues</b>	
Unrestricted investment earnings	<u>4,124,377</u>
Change in net assets	(7,611,532)
<b>Net assets</b>	
Beginning of year	<u>60,861,483</u>
<b>End of year</b>	<u><u>\$ 53,249,951</u></u>

The accompanying notes are an integral part of these financial statements.

**State Building Authority of the State of Michigan**  
**Statement of Net Assets and**  
**Governmental Funds Balance Sheet**  
**September 30, 2008**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Assets
<b>ASSETS</b>					
<b>Current assets</b>					
Investments	\$ 219,232,520	\$ 16,879,231	\$ 236,111,751	\$ -	\$ 236,111,751
Accrued interest receivable	290,331	42,267	332,598	-	332,598
Current portion of leases receivable	-	-	-	93,066,256	93,066,256
Project costs in progress	-	-	-	215,603,703	215,603,703
Total current assets	<u>219,522,851</u>	<u>16,921,498</u>	<u>236,444,349</u>	<u>308,669,959</u>	<u>545,114,308</u>
<b>Noncurrent assets</b>					
Debt issuance costs, net	-	-	-	15,674,115	15,674,115
Leases receivable, net of current portion	-	-	-	2,763,996,484	2,763,996,484
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,779,670,599</u>	<u>2,779,670,599</u>
<b>Total assets</b>	<u>\$ 219,522,851</u>	<u>\$ 16,921,498</u>	<u>\$ 236,444,349</u>	<u>3,088,340,558</u>	<u>3,324,784,907</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Accounts payable and other liabilities	\$ 4,469	\$ 182,223	\$ 186,692	-	186,692
Due to State of Michigan	-	17,019,224	17,019,224	-	17,019,224
Accrued interest payable	-	457,214	457,214	46,025,283	46,482,497
Short-term debt	-	210,310,000	210,310,000	-	210,310,000
Current portion of long-term debt	-	-	-	100,475,000	100,475,000
Total current liabilities	<u>4,469</u>	<u>227,968,661</u>	<u>227,973,130</u>	<u>146,500,283</u>	<u>374,473,413</u>
<b>Long-term liabilities</b>					
Long-term debt, net of current portion	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,897,061,543</u>	<u>2,897,061,543</u>
<b>Total liabilities</b>	<u>4,469</u>	<u>227,968,661</u>	<u>227,973,130</u>	<u>3,043,561,826</u>	<u>3,271,534,956</u>
<b>FUND BALANCES</b>					
Unreserved (deficit)	<u>219,518,382</u>	<u>(211,047,163)</u>	<u>8,471,219</u>	<u>(8,471,219)</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 219,522,851</u>	<u>\$ 16,921,498</u>	<u>\$ 236,444,349</u>		
<b>NET ASSETS</b>					
Restricted for debt service and construction				<u>\$ 53,249,951</u>	<u>\$ 53,249,951</u>

The accompanying notes are an integral part of these financial statement

**State Building Authority of the State of Michigan**  
**Statement of Activities and**  
**Governmental Funds Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Year Ended September 30, 2008**

	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
<b>Revenue</b>					
Investment income	\$ 3,612,944	\$ 511,433	\$ 4,124,377	\$ -	\$ 4,124,377
Lease revenue	219,410,085	-	219,410,085	(86,101,504)	133,308,581
Other revenue	-	237	237	-	237
Total revenue	223,023,029	511,670	223,534,699	(86,101,504)	137,433,195
<b>Expenditures / Expenses</b>					
Current - general government	828,633	236,834	1,065,467	(196,340)	869,127
Capital outlay	-	69,000,491	69,000,491	(69,000,491)	-
Capital outlay reimbursed to State of Michigan	-	75,135,470	75,135,470	(75,135,470)	-
Debt service:					
Principal	87,145,000	-	87,145,000	(87,145,000)	-
Interest and fiscal charges	123,440,981	3,731,065	127,172,046	16,126,123	143,298,169
Debt issuance costs	-	614,478	614,478	(614,478)	-
Amortization of debt issuance costs	-	-	-	877,431	877,431
Total expenditures/expenses	211,414,614	148,718,338	360,132,952	(215,088,225)	145,044,727
Revenue over (under) expenditures/expenses	11,608,415	(148,206,668)	(136,598,253)	128,986,721	(7,611,532)
<b>Other financing sources (uses)</b>					
Long-term debt issued	-	96,500,000	96,500,000	(96,500,000)	-
Transfers in	-	90,967,257	90,967,257	(90,967,257)	-
Transfers out	-	(90,967,257)	(90,967,257)	90,967,257	-
Total other financing sources (uses)	-	96,500,000	96,500,000	(96,500,000)	-
Change in fund balances / net assets	11,608,415	(51,706,668)	(40,098,253)	32,486,721	(7,611,532)
<b>Fund balances / Net assets (deficit)</b>					
Beginning of year	207,909,967	(159,340,495)	48,569,472	12,292,011	60,861,483
<b>End of year</b>	<u>\$ 219,518,382</u>	<u>\$ (211,047,163)</u>	<u>\$ 8,471,219</u>	<u>\$ 44,778,732</u>	<u>\$ 53,249,951</u>

The accompanying notes are an integral part of these financial statements.

## **Notes to Financial Statements**

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting Entity**

The accompanying financial statements report the financial position and results of operations of the State Building Authority (the “Authority”), a blended component unit of the State of Michigan, as of and for the fiscal year ended September 30, 2008. The Authority’s activity is reported as debt service and capital projects funds within the governmental funds in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*. In accordance with generally accepted accounting principles, there are no other component units included in this financial report.

The Authority was organized under Act 183, P.A. 1964, as amended, and is governed by a Board of Trustees consisting of five members appointed by the Governor, with the advice and consent of the Senate. The mission of the Authority is to construct, acquire, improve, enlarge, and lease facilities and equipment for use by the State or any of its agencies, including public institutions of higher education (universities and community colleges).

The Authority is authorized to issue and sell bonds in an aggregate principal amount outstanding not to exceed \$2.7 billion, excluding refunding bonds. The Authority is also authorized to issue and sell commercial paper notes as a short-term funding source for capital outlay projects prior to bonding. All bonds and commercial paper are limited obligations of the Authority and are not general obligations of the State or the Authority. The bonds are payable solely from equipment and facility lease payments, investment earnings, insurance proceeds, undisbursed bond proceeds retained by the Authority on a bond issue-specific basis, and any other assets pledged by the Authority to the bondholders.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The authority-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

---

The Authority reports two major governmental funds: a debt service fund and a capital projects fund.

These notes relate directly to the Authority; the *SOMCAFR* provides more thorough disclosures of the State's significant accounting policies.

**Investments** - Investments are stated at fair value. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool share.

**Leases Receivable** - Leases receivable represent amounts due from the State of Michigan for rent obligations, net of unearned income. No allowance for uncollectible amounts has been provided.

**Project Costs in Progress** - Project costs consist of capital costs incurred to date on various building projects. As the building projects are completed, the assets will be leased to the State of Michigan.

**Debt Issuance Costs** - Debt issuance costs are being amortized using the effective interest method over the life of the related debt. Accumulated amortization was \$3,430,316 at September 30, 2008.

**Federal Arbitrage Liability** - Included in long-term debt is a provision for federal arbitrage rebate. Federal income tax regulations for certain debt issues require the Authority to rebate to the federal government the interest earned on invested debt proceeds in excess of interest paid. The Authority has recorded an estimated liability for this amount.

**Long-term Liabilities** - Long-term liabilities are reported on the Authority's statement of net assets, net of the applicable bond premiums and discounts, as well as gains or losses on refunding, which are deferred and amortized over the life of the bonds using the effective interest method.

**Lease Revenue** - Lease payments are collected from the State of Michigan to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Lease revenue is recognized as a constant percentage return on asset carrying values.

## 2. INVESTMENTS

Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures regarding policies and practices with respect to deposits and investments and the credit risk associated with them.

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

---

The Authority's investments are restricted by State statute to obligations of the State or U.S. government, obligations of which the principal and interest are guaranteed by the State or U.S. government, certificates of deposit of a financial institution, certain commercial paper, and repurchase agreements collateralized by U.S. government obligations and certain investment trusts. Certain other restrictions as to investments are contained in the bond resolution for each bond issue.

At September 30, 2008, the Authority had no deposits and had investments totaling \$236,111,751, which were entirely in U.S. Treasury money market accounts. The Authority's investments comply with State statutes.

Applicable risk disclosures under GASB Statement No. 40 for the Authority's investments are as follows:

*Credit risk* – The Authority's investments in 2a-7 like money market accounts with U.S. Bank and J.P. Morgan are both rated AAAm by Standard & Poor's and Aaa by Moody's.

*Custodial credit risk* – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Because investments in money market accounts are not evidenced by securities that exist in physical or book entry form they are not exposed to custodial credit risk.

### 3. LEASES RECEIVABLE

The Authority's leasing operations consist of leasing of facilities and equipment for use by the State of Michigan or any of its agencies under direct financing arrangements expiring in various years through November 30, 2042.

Following is a summary of the components of the Authority's net investment in direct financing leases at September 30, 2008:

Total minimum lease payments to be received	\$ 4,926,148,710
Less – Unearned income	<u>2,069,085,970</u>
<b>Net leases receivable</b>	<b><u>\$ 2,857,062,740</u></b>
Statement of Net Assets classification:	
Current portion of leases receivable	\$ 93,066,256
Long-term portion of leases receivable	<u>2,763,996,484</u>
<b>Total</b>	<b><u>\$ 2,857,062,740</u></b>

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

---

Minimum lease payments to be received from the State of Michigan as of September 30, 2008, are as follows:

2009	\$ 221,593,278
2010	222,289,248
2011	223,062,548
2012	223,062,548
2013	223,429,866
2014 through 2036	<u>3,812,711,222</u>
<b>Total</b>	<b><u>\$ 4,926,148,710</u></b>

### 4. SHORT-TERM DEBT - NOTES PAYABLE

The Authority issues commercial paper notes to fund capital projects prior to bonding. The notes are recorded at par at the time of issuance and are issued in conjunction with a bank letter of credit that has a maximum amount of \$500 million, a maximum maturity of 270 days, and a maximum interest rate of 10 percent. Issuance costs are capitalized as part of project costs. The interest rate on commercial paper notes outstanding as of September 30, 2008 ranged from 1.60 to 3.75 percent (i.e., 1.60 percent on \$187,110,000 of notes issued on August 7, 2008 and 3.75 percent on \$23,200,000 of notes issued on September 30, 2008).

Short-term debt activity for the year ended September 30, 2008, was as follows (in thousands):

Beginning balance	\$ 146,700
Additions	151,795
Reductions	<u>(88,185)</u>
<b>Ending balance</b>	<b><u>\$ 210,310</u></b>

### 5. LONG-TERM LIABILITIES

Each series of bonds and related lease contracts are financing transactions under which the Authority issues revenue bonds for the purpose of constructing or acquiring facilities and/or equipment for lease to the State or institutions of higher education. Each issue of bonds is secured by and payable from the rentals. Rentals may only be used for payment of the bonds to which such lease pertains and may not be used for the payment of any other issue of bonds or any other unrelated obligation of the Authority. Each such lease (prior to execution) has been approved by the State Administrative Board; by concurrent resolution of the Legislature adopted by majority vote of the members elected to and serving in each house; by resolution of the Board of Trustees of the Authority; and, where required, by the governing body of the appropriate institution of higher education. The lease payments for all of the facilities and equipment are appropriated as an annual operating cost by the State.

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

The bonds represent limited obligations of the Authority and do not constitute general obligations of the Authority or general obligations or debts of the State or any of the institutions of higher education within the meaning of any constitutional or statutory limitation. The Authority has no taxing power. The bonds are payable from lease revenue to be paid by the State pursuant to the provisions of the leases and certain other funds and revenue provided for in the bond resolution.

### Outstanding Debt

Long-term debt outstanding (excluding defeased bonds) at September 30, 2008 is as follows (in thousands):

	Date Sold	# of Projects	Original Amount Issued	Average Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Revenue Bonds Payable (in thousands)</b>									
1998 Series I Refunding	12/17/98	7	\$ 330,405	4.746%	\$ 248,640	\$ -	\$ (12,140)	\$ 236,500	\$ 14,600
2001 Series I Refunding	06/21/01	17	419,730	5.262%	363,085	-	(12,590)	350,495	15,285
2003 Series I Refunding	07/30/03	19	659,420	3.635%	526,970	-	(42,000)	484,970	44,100
2003 Series II Refunding	12/01/03	44	392,590	4.415%	174,530	-	-	174,530	-
2004 Series I	05/27/04	5	155,350	4.076%	131,535	-	(10,930)	120,605	11,140
2005 Series I Refunding	05/26/05	16	293,395	4.838%	285,270	-	(7,015)	278,255	7,005
2005 Series II Refunding	10/26/05	7	242,805	4.656%	241,875	-	(1,305)	240,570	1,590
2005 Series II A Multi Modal	12/21/05	11	343,600	Variable	40,100	-	-	40,100	-
2005 Series II B Multi Modal	01/19/06	1	9,900	Variable	9,900	-	(1,165)	8,735	2,500
2006 Series I A:									
Serial	09/06/06	n/a	438,300	4.798%	438,300	-	-	438,300	-
Capital appreciation	09/06/06	n/a	891,775	4.798%	891,775	-	-	891,775	-
2006 Series I B	09/06/06	n/a	13,735	4.798%	13,735	-	-	13,735	2,455
2007 Series I Multi Modal	12/19/07	15	96,500	Variable	-	96,500	-	96,500	1,800
Total revenue bonds payable			<u>\$ 4,287,505</u>		3,365,715	96,500	(87,145)	3,375,070	<u>\$ 100,475</u>
<b>Accrued compensated absences</b>					12	37	(32)	17	
<b>Arbitrage payable</b>					353	-	(201)	152	
<b>Add (deduct) deferred amounts:</b>									
For issuance discounts on capital appreciation bonds					(476,078)	-	20,038	(456,040)	
For issuance premiums					109,529	-	(7,325)	102,204	
On refunding					(28,840)	-	4,974	(23,866)	
<b>Total long-term debt</b>					<u>\$ 2,970,691</u>	<u>\$ 96,537</u>	<u>\$ (69,691)</u>	<u>\$ 2,997,537</u>	
Current portion								\$ 100,475	
Long-term portion								<u>2,897,062</u>	
								<u>\$ 2,997,537</u>	

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

The 2005 Series IIA and IIB Multi-Modal Variable Bonds and the 2007 Series I Multi-Modal Variable Bonds currently bear interest at a Weekly Rate as determined through remarketing. Given the variable nature of the bonds, there are no stated annual debt service requirements. However, for purposes of the future debt service requirements below, estimated interest was computed using the weekly rates as of September 30, 2008 of 8.17%, 7.95% and 7.92%, respectively, for the 2005 Series IIA, 2005 Series IIB and 2007 Series I bonds. These unusually high rates were due to market and economic aberrations. By comparison, on November 6, 2008 the 2007 Series I bonds reset at 1.17%. The 2005 Series IIA and IIB bonds weekly rates were reset on November 6, 2008, at 8.0% and 10.0%, respectively, because of a downgrade in the credit rating of the credit facility provider, Depha Bank. On November 6, 2008 bonds were sold to refund the 2005 Series IIA and IIB bonds; closing on the bond sale will occur November 20, 2008.

Associated annual lease rentals are fully pledged for the payment of bond principal and interest on outstanding bonds. The 2007 Series I bonds are subject to optional redemption by the Authority in any rate mode and have a nominal final maturity of October 15, 2032.

The 2006 Series IA bonds include both serial and capital appreciation bonds. The capital appreciation bonds have an ultimate maturity value of \$891.8 million on October 15, 2030; the accreted value as of September 30, 2008 is \$435.7 million. For purposes of the schedule below, the accreted maturities of the capital appreciation bonds are shown in the principal maturities column.

### Debt Service Requirements

The annual requirements to service the outstanding debt are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 100,475	\$ 127,617	\$ 228,092
2010	99,085	122,612	221,697
2011	104,740	117,381	222,121
2012	111,355	111,706	223,061
2013	115,595	105,662	221,257
2014-2018	657,025	428,231	1,085,256
2019-2023	686,570	301,462	988,032
2024-2028	579,085	217,703	796,788
2029-2033	589,230	140,367	729,597
2034-2037	331,910	30,099	362,009
	<u>\$ 3,375,070</u>	<u>\$ 1,702,840</u>	<u>\$ 5,077,910</u>

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

Interest to maturity for the bonds may be significantly less than the amount shown in the above table because many of the bonds (i.e., sinking fund bonds) will be called prior to their final scheduled maturity date. The retirement of these bonds varies from project to project, as each bond issue is related to specific projects and any excess borrowing, and accrued investment earnings are restricted to projects and debt service on the related bonds.

### **Defeased Debt**

The Authority has defeased certain bond issues by placing refunding bond proceeds in an irrevocable trust to provide for all future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements.

The following table summarizes the defeased bonds outstanding at September 30, 2008 (in thousands):

1994 Series II *	\$ 4,495
1997 Series II **	26,980
1998 Series I	56,160
1999 Series I	45,405
2000 Series I	107,610
2000 (MSP Phase II)	17,790
2001 Series I	80,915
2001 Series II	122,865
2001 (MSP Phase III)	28,015
2002 (MSP Phase IV)	20,850
2002 Series III Refunding	184,295
2003 Series II Refunding	<u>185,770</u>
<b>Total</b>	<b><u>\$ 881,150</u></b>

\* The 1994 Series II bond issue consisted of capital appreciation bonds with an ultimate maturity value of \$4.6 million. The accreted value of this issue at year-end is \$4.5 million.

\*\* The 1997 Series II bond issue includes capital appreciation bonds with an ultimate maturity value of \$30.7 million. The accreted value of this issue at year-end is \$27.0 million.

## **6. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The State of Michigan provides insurance coverage for the Authority.

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

### 7. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the statement of net assets, which reconciles fund balances to net assets:

<b>Fund balances</b>	\$ 8,471,219
----------------------	--------------

**Adjustments:**

Leases receivable are not <i>current financial resources</i> and therefore are not reported in the governmental funds	2,857,062,740
---	---------------

Project costs financed by short-term borrowings are temporarily capitalized for net assets until lease agreements are executed	215,603,703
--	-------------

Deferred charges for bond issuance costs are currently expensed in the governmental funds, whereas they are capitalized and amortized for net assets	15,674,115
--	------------

Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(3,375,070,000)
--	-----------------

Premiums on bonds are reported as other financing sources in the governmental funds, whereas they are capitalized and amortized for net assets (and added to bonds payable)	(102,203,845)
---	---------------

Discounts on bonds are reported as other financing uses in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	456,040,031
---	-------------

Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)	23,866,204
--	------------

Accrued compensated absences and arbitrage payable are not recorded by governmental funds	(168,933)
---	-----------

Accrued interest payable on bonds is not recorded by governmental funds	<u>(46,025,283)</u>
---	---------------------

<b>Net assets</b>	<b><u>\$ 53,249,951</u></b>
-------------------	-----------------------------

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

---

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the statement of activities, which reconciles the net change in fund balances to the change in net assets:

<b>Net change in fund balances</b>	<b>\$ (40,098,253)</b>
------------------------------------	------------------------

### Adjustments:

Amounts received for lease payments includes both principal and interest for purposes of governmental funds. For the statement of activities, the principal portions are eliminated with that portion of the receipts that pertain to interest being recognized as lease revenues.	(86,101,504)
--	--------------

Repayment of bond and note principal is an expenditure in the funds, but the repayment reduces long-term liabilities for <i>net assets</i>	87,145,000
--	------------

Construction costs are recorded as expenditures in the funds, but increase leases receivable for <i>net assets</i>	144,135,961
--	-------------

The issuance of bonds provides current financial resources and bond issuance costs and premiums are a use or source of current financial resources, respectively. These transactions do not effect <i>net assets</i> and therefore are eliminated:	
Bond proceeds	(96,500,000)
Bond issuance costs	614,478

Accrued interest expense on bonds and the amortization of bond issuance costs, premiums, and loss on refunding are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of <i>net assets</i> :	
Accrued interest expense	1,560,333
Amortization of bond issuance costs	(877,431)
Amortization of premiums on bonds	7,325,069
Amortization of discounts on bonds	(20,037,925)
Amortization of loss on refunding	(4,973,600)

# STATE BUILDING AUTHORITY OF THE STATE OF MICHIGAN

## Notes to Financial Statements

---

Estimated liability for arbitrage and accrued compensated absences is not recorded by governmental funds but is reported for purposes of determining *net assets*

\$ 196,340

**Change in net assets**

\$ (7,611,532)

### 8. SUBSEQUENT EVENTS

On November 7, 2008, the Authority sold \$192,275,000 of 2008 Revenue and Revenue Refunding Bonds, Series I to: (1) refund the 2005 Multi Modal Revenue Bonds, Series IIA and IIB; (2) fund new projects temporarily financed under the Authority's commercial paper program; (3) fund a debt service reserve account; and (4) pay the costs of issuance. The bond sale will close on November 20, 2008.

\* \* \* \* \*

## **Supplementary Information**



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

November 21, 2008

Mr. Patrick Devlin, Chairperson  
State Building Authority of the State of Michigan  
Lansing, Michigan

and

Mr. Thomas H. McTavish, CPA  
Auditor General  
State of Michigan  
Lansing, Michigan

We have audited the financial statements of the governmental activities and each major fund of the State Building Authority of the State of Michigan, a blended component unit of the State of Michigan, for the year ended September 30, 2008, which collectively comprise the Authority's basic financial statements. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State Building Authority of the State of Michigan.

For management decision-making purposes, the Authority uses project accounting for each bond issue. This information is intended to assist management and presents these bond issues on the modified accrual basis.

This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**State Building Authority of the State of Michigan**  
**Commercial Paper Program, Series 5**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ -	\$ 11,634,938	\$ 11,634,938
Accrued interest receivable	-	32,748	32,748
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ -</u>	<u>\$ 11,667,686</u>	<u>\$ 11,667,686</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ 182,223	\$ 182,223
Due to State of Michigan	-	16,746,418	16,746,418
Due to other funds	-	-	-
Accrued interest payable	-	457,214	457,214
Short-term debt	-	210,310,000	210,310,000
	<u>-</u>	<u>210,310,000</u>	<u>210,310,000</u>
<b>Total liabilities</b>	-	227,695,855	227,695,855
<b>PROJECT EQUITY</b>			
Unreserved (deficit)	-	(216,028,169)	(216,028,169)
	<u>-</u>	<u>(216,028,169)</u>	<u>(216,028,169)</u>
<b>Total liabilities and project equity</b>	<u>\$ -</u>	<u>\$ 11,667,686</u>	<u>\$ 11,667,686</u>
<b>OUTSTANDING DEBT (short-term)</b>			<u>\$ 210,310,000</u>

**State Building Authority of the State of Michigan**  
**Commercial Paper Program, Series 5**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ -	\$ 355,935	\$ 355,935
Lease revenue	-	-	-
Other revenue	-	236	236
Total revenue	-	356,171	356,171
<b>Expenditures</b>			
Current - general government	-	108,606	108,606
Capital outlay	-	65,292,204	65,292,204
Capital outlay reimbursed to State of Michigan	-	75,135,470	75,135,470
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	3,731,065	3,731,065
Debt issuance costs	-	-	-
Total expenditures	-	144,267,345	144,267,345
Revenue over (under) expenditures	-	(143,911,174)	(143,911,174)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	90,967,257	90,967,257
Transfers out	-	-	-
Total other financing sources (uses)	-	90,967,257	90,967,257
Net change in project equity	-	(52,943,917)	(52,943,917)
<b>Project equity (deficit)</b>			
Beginning of year	-	(163,084,252)	(163,084,252)
<b>End of year</b>	\$ -	\$ (216,028,169)	\$ (216,028,169)

**State Building Authority of the State of Michigan**  
**1998 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 26,970,039	\$ -	\$ 26,970,039
Accrued interest receivable	31,416	-	31,416
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 27,001,455</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,001,455</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Unreserved	<u>27,001,455</u>	<u>-</u>	<u>27,001,455</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 27,001,455</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,001,455</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 236,500,000</u></u>

**State Building Authority of the State of Michigan**  
**1998 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 597,671	\$ -	\$ 597,671
Lease revenue	24,900,060	-	24,900,060
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	25,497,731	-	25,497,731
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - general government	75,018	-	75,018
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	12,140,000	-	12,140,000
Interest and fiscal charges	12,164,794	-	12,164,794
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	24,379,812	-	24,379,812
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	1,117,919	-	1,117,919
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	1,117,919	-	1,117,919
	<hr/>	<hr/>	<hr/>
<b>Project equity</b>			
Beginning of year	25,883,536	-	25,883,536
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	\$ 27,001,455	\$ -	\$ 27,001,455
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2001 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 33,117,303	\$ -	\$ 33,117,303
Accrued interest receivable	28,881	-	28,881
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 33,146,184</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,146,184</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Unreserved	<u>33,146,184</u>	<u>-</u>	<u>33,146,184</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 33,146,184</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,146,184</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 350,495,000</u></u>

**State Building Authority of the State of Michigan**  
**2001 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 457,619	\$ -	\$ 457,619
Lease revenue	32,058,516	-	32,058,516
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	32,516,135	-	32,516,135
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - general government	92,421	-	92,421
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	12,590,000	-	12,590,000
Interest and fiscal charges	19,019,181	-	19,019,181
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	31,701,602	-	31,701,602
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	814,533	-	814,533
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	814,533	-	814,533
	<hr/>	<hr/>	<hr/>
<b>Project equity</b>			
Beginning of year	32,331,651	-	32,331,651
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	\$ 33,146,184	\$ -	\$ 33,146,184
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 78,761,947	\$ -	\$ 78,761,947
Accrued interest receivable	119,314	-	119,314
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 78,881,261</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 78,881,261</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 4,406	\$ -	\$ 4,406
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	4,406	-	4,406
<b>PROJECT EQUITY</b>			
Unreserved	<u>78,876,855</u>	<u>-</u>	<u>78,876,855</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 78,881,261</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 78,881,261</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 484,970,000</u></u>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 1,289,503	\$ -	\$ 1,289,503
Lease revenue	69,214,014	-	69,214,014
Other revenue	-	-	-
Total revenue	70,503,517	-	70,503,517
<b>Expenditures</b>			
Current - general government	112,649	-	112,649
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	42,000,000	-	42,000,000
Interest and fiscal charges	26,163,363	-	26,163,363
Debt issuance costs	-	-	-
Total expenditures	68,276,012	-	68,276,012
Revenue over (under) expenditures	2,227,505	-	2,227,505
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in project equity	2,227,505	-	2,227,505
<b>Project equity</b>			
Beginning of year	76,649,350	-	76,649,350
<b>End of year</b>	<u>\$ 78,876,855</u>	<u>\$ -</u>	<u>\$ 78,876,855</u>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 6,962,287	\$ -	\$ 6,962,287
Accrued interest receivable	10,579	-	10,579
Due from other funds	-	-	-
<b>Total assets</b>	<u>\$ 6,972,866</u>	<u>\$ -</u>	<u>\$ 6,972,866</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Unreserved	6,972,866	-	6,972,866
<b>Total liabilities and project equity</b>	<u>\$ 6,972,866</u>	<u>\$ -</u>	<u>\$ 6,972,866</u>
<b>OUTSTANDING DEBT (long-term)</b>			<u>\$ 174,530,000</u>

**State Building Authority of the State of Michigan**  
**2003 Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 130,340	\$ -	\$ 130,340
Lease revenue	8,726,582	-	8,726,582
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	8,856,922	-	8,856,922
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - general government	42,834	-	42,834
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	8,726,500	-	8,726,500
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	8,769,334	-	8,769,334
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	87,588	-	87,588
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	87,588	-	87,588
	<hr/>	<hr/>	<hr/>
<b>Project equity</b>			
Beginning of year	6,885,278	-	6,885,278
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	<u>\$ 6,972,866</u>	<u>\$ -</u>	<u>\$ 6,972,866</u>

**State Building Authority of the State of Michigan**  
**2004 Revenue and Refunding Revenue Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 14,215,803	\$ -	\$ 14,215,803
Accrued interest receivable	21,525	-	21,525
Due from other funds	-	-	-
<b>Total assets</b>	<u>\$ 14,237,328</u>	<u>\$ -</u>	<u>\$ 14,237,328</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Unreserved	14,237,328	-	14,237,328
<b>Total liabilities and project equity</b>	<u>\$ 14,237,328</u>	<u>\$ -</u>	<u>\$ 14,237,328</u>
<b>OUTSTANDING DEBT (long-term)</b>			<u>\$ 120,605,000</u>

**State Building Authority of the State of Michigan**  
**2004 Revenue and Refunding Revenue Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 165,655	\$ -	\$ 165,655
Lease revenue	17,029,992	-	17,029,992
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	17,195,647	-	17,195,647
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - general government	26,500	-	26,500
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	10,930,000	-	10,930,000
Interest and fiscal charges	6,253,713	-	6,253,713
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	17,210,213	-	17,210,213
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(14,566)	-	(14,566)
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	(14,566)	-	(14,566)
	<hr/>	<hr/>	<hr/>
<b>Project equity</b>			
Beginning of year	14,251,894	-	14,251,894
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	\$ 14,237,328	\$ -	\$ 14,237,328
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2005 Revenue Refunding Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 19,078,186	\$ -	\$ 19,078,186
Accrued interest receivable	22,216	-	22,216
Due from other funds	-	-	-
<b>Total assets</b>	<u>\$ 19,100,402</u>	<u>\$ -</u>	<u>\$ 19,100,402</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Unreserved	19,100,402	-	19,100,402
<b>Total liabilities and project equity</b>	<u>\$ 19,100,402</u>	<u>\$ -</u>	<u>\$ 19,100,402</u>
<b>OUTSTANDING DEBT (long-term)</b>			<u>\$ 278,255,000</u>

**State Building Authority of the State of Michigan**  
**2005 Revenue Refunding Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 303,595	\$ -	\$ 303,595
Lease revenue	20,544,996	-	20,544,996
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	20,848,591	-	20,848,591
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - general government	64,679	-	64,679
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	7,015,000	-	7,015,000
Interest and fiscal charges	13,971,250	-	13,971,250
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	21,050,929	-	21,050,929
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	(202,338)	-	(202,338)
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	(202,338)	-	(202,338)
	<hr/>	<hr/>	<hr/>
<b>Project equity</b>			
Beginning of year	19,302,740	-	19,302,740
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	<u>\$ 19,100,402</u>	<u>\$ -</u>	<u>\$ 19,100,402</u>

**State Building Authority of the State of Michigan**  
**2005 Revenue and Revenue Refunding Bonds, Series II**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 11,731,220	\$ -	\$ 11,731,220
Accrued interest receivable	13,288	-	13,288
Due from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 11,744,508</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,744,508</u></u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Unreserved	<u>11,744,508</u>	<u>-</u>	<u>11,744,508</u>
<b>Total liabilities and project equity</b>	<u><u>\$ 11,744,508</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,744,508</u></u>
<b>OUTSTANDING DEBT (long-term)</b>			<u><u>\$ 240,570,000</u></u>

**State Building Authority of the State of Michigan**  
**2005 Revenue and Revenue Refunding Bonds, Series II**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 200,554	\$ -	\$ 200,554
Lease revenue	13,197,372	-	13,197,372
Other revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	13,397,926	-	13,397,926
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - general government	53,690	-	53,690
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,305,000	-	1,305,000
Interest and fiscal charges	11,810,341	-	11,810,341
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	13,169,031	-	13,169,031
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	228,895	-	228,895
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	228,895	-	228,895
	<hr/>	<hr/>	<hr/>
<b>Project equity</b>			
Beginning of year	11,515,613	-	11,515,613
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	\$ 11,744,508	\$ -	\$ 11,744,508
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**State Building Authority of the State of Michigan**  
**2005 Multi-Modal Revenue Bonds, Series IIA and IIB**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 4,718,258	\$ 3,832,405	\$ 8,550,663
Accrued interest receivable	7,173	5,813	12,986
Due from other funds	-	-	-
<b>Total assets</b>	<u>\$ 4,725,431</u>	<u>\$ 3,838,218</u>	<u>\$ 8,563,649</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	-	-
<b>PROJECT EQUITY</b>			
Unreserved	<u>4,725,431</u>	<u>3,838,218</u>	<u>8,563,649</u>
<b>Total liabilities and project equity</b>	<u>\$ 4,725,431</u>	<u>\$ 3,838,218</u>	<u>\$ 8,563,649</u>
<b>OUTSTANDING DEBT (long-term)</b>			<u>\$ 48,835,000</u>

**State Building Authority of the State of Michigan**  
**2005 Multi-Modal Revenue Bonds, Series IIA and IIB**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 93,171	\$ 94,460	\$ 187,631
Lease revenue	3,033,117	-	3,033,117
Other revenue	-	1	1
	<hr/>	<hr/>	<hr/>
Total revenue	3,126,288	94,461	3,220,749
	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>			
Current - general government	126,074	-	126,074
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	1,165,000	-	1,165,000
Interest and fiscal charges	1,249,950	-	1,249,950
Debt issuance costs	-	-	-
	<hr/>	<hr/>	<hr/>
Total expenditures	2,541,024	-	2,541,024
	<hr/>	<hr/>	<hr/>
Revenue over (under) expenditures	585,264	94,461	679,725
	<hr/>	<hr/>	<hr/>
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Net change in project equity	585,264	94,461	679,725
	<hr/>	<hr/>	<hr/>
<b>Project equity</b>			
Beginning of year	4,140,167	3,743,757	7,883,924
	<hr/>	<hr/>	<hr/>
<b>End of year</b>	<u>\$ 4,725,431</u>	<u>\$ 3,838,218</u>	<u>\$ 8,563,649</u>

**State Building Authority of the State of Michigan**  
**2006 Revenue Refunding Bonds, Series IA and IB**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 19,610,395	\$ -	\$ 19,610,395
Accrued interest receivable	29,783	-	29,783
Due from other funds	-	-	-
<b>Total assets</b>	<u>\$ 19,640,178</u>	<u>\$ -</u>	<u>\$ 19,640,178</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ 63	\$ -	\$ 63
Due to State of Michigan	-	-	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	63	-	63
<b>PROJECT EQUITY</b>			
Unreserved	19,640,115	-	19,640,115
<b>Total liabilities and project equity</b>	<u>\$ 19,640,178</u>	<u>\$ -</u>	<u>\$ 19,640,178</u>

<b>OUTSTANDING DEBT (long-term)</b>	<u>\$ 1,343,810,000</u>
-------------------------------------	-------------------------

**State Building Authority of the State of Michigan**  
**2006 Revenue Refunding Bonds, Series IA and IB**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 342,943	\$ -	\$ 342,943
Lease revenue	25,090,291	-	25,090,291
Other revenue	-	-	-
Total revenue	25,433,234	-	25,433,234
<b>Expenditures</b>			
Current - general government	107,802	-	107,802
Capital outlay	-	-	-
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	22,635,055	-	22,635,055
Debt issuance costs	-	-	-
Total expenditures	22,742,857	-	22,742,857
Revenue over (under) expenditures	2,690,377	-	2,690,377
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in project equity	2,690,377	-	2,690,377
<b>Project equity</b>			
Beginning of year	16,949,738	-	16,949,738
<b>End of year</b>	<u>\$ 19,640,115</u>	<u>\$ -</u>	<u>\$ 19,640,115</u>

**State Building Authority of the State of Michigan**  
**2007 Multi-Modal Revenue Bonds, Series I**  
**Project Balance Sheet**  
**September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Investments	\$ 4,067,082	\$ 1,411,888	\$ 5,478,970
Accrued interest receivable	6,156	3,706	9,862
Due from other funds	-	-	-
<b>Total assets</b>	<u>\$ 4,073,238</u>	<u>\$ 1,415,594</u>	<u>\$ 5,488,832</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and other liabilities	\$ -	\$ -	\$ -
Due to State of Michigan	-	272,806	272,806
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Short-term debt	-	-	-
<b>Total liabilities</b>	-	272,806	272,806
<b>PROJECT EQUITY</b>			
Unreserved	4,073,238	1,142,788	5,216,026
<b>Total liabilities and project equity</b>	<u>\$ 4,073,238</u>	<u>\$ 1,415,594</u>	<u>\$ 5,488,832</u>
<b>OUTSTANDING DEBT (long-term)</b>			<u>\$ 96,500,000</u>

**State Building Authority of the State of Michigan**  
**2007 Multi-Modal Revenue Bonds, Series I**  
**Schedule of Project Revenue, Expenditures**  
**and Changes in Project Equity**  
**Year Ended September 30, 2008**

	Debt Service Activities	Capital Projects Activities	Total
<b>Revenue</b>			
Investment income	\$ 31,893	\$ 61,038	\$ 92,931
Lease revenue	5,615,145	-	5,615,145
Other revenue	-	-	-
Total revenue	5,647,038	61,038	5,708,076
<b>Expenditures</b>			
Current - general government	126,966	128,228	255,194
Capital outlay	-	3,708,287	3,708,287
Capital outlay reimbursed to State of Michigan	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	1,446,834	-	1,446,834
Debt issuance costs	-	614,478	614,478
Total expenditures	1,573,800	4,450,993	6,024,793
Revenue over (under) expenditures	4,073,238	(4,389,955)	(316,717)
<b>Other financing sources (uses)</b>			
Long-term debt issued	-	96,500,000	96,500,000
Transfers in	-	-	-
Transfers out	-	(90,967,257)	(90,967,257)
Total other financing sources (uses)	-	5,532,743	5,532,743
Net change in project equity	4,073,238	1,142,788	5,216,026
<b>Project equity</b>			
Beginning of year	-	-	-
<b>End of year</b>	<u>\$ 4,073,238</u>	<u>\$ 1,142,788</u>	<u>\$ 5,216,026</u>

**State Bulding Authority of the State of Michigan**  
**Schedule of Bonds Payable (at par)**  
**Including Mandatory Redemption Provisions**  
**September 30, 2008**  
(in thousands)

Year Ending September 30,	1998 Series I Refunding	2001 Series I Refunding	2003 Series I Refunding	2003 Series II Refunding	2004 Series I Refunding	2005 Series I Refunding
2009	\$ 14,600	\$ 15,285	\$ 44,100	\$ -	\$ 11,140	\$ 7,005
2010	13,385	14,015	46,305	-	11,375	6,985
2011	14,085	14,785	48,620	-	11,915	7,315
2012	14,825	15,600	51,050	-	12,525	7,665
2013	15,605	16,455	53,730	-	13,180	6,115
2014	16,425	17,360	56,550	-	13,830	6,420
2015	17,285	18,315	59,520	-	14,560	6,740
2016	18,195	19,325	62,645	-	15,330	7,075
2017	19,125	20,385	53,500	-	7,485	7,430
2018	20,105	21,510	8,950	-	3,960	7,800
2019	21,060	22,690	-	-	4,140	8,190
2020	22,060	23,940	-	-	1,165	8,600
2021	23,110	25,255	-	-	-	9,030
2022	6,635	26,550	-	-	-	9,485
2023	-	27,930	-	18,825	-	9,960
2024	-	29,325	-	19,765	-	10,455
2025	-	13,855	-	20,755	-	10,975
2026	-	7,915	-	21,790	-	11,855
2027	-	-	-	22,880	-	12,805
2028	-	-	-	24,025	-	13,825
2029	-	-	-	25,225	-	14,935
2030	-	-	-	21,265	-	16,130
2031	-	-	-	-	-	16,940
2032	-	-	-	-	-	17,790
2033	-	-	-	-	-	18,680
2034	-	-	-	-	-	18,050
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
	<u>\$ 236,500</u>	<u>\$ 350,495</u>	<u>\$ 484,970</u>	<u>\$ 174,530</u>	<u>\$ 120,605</u>	<u>\$ 278,255</u>

2005 Series II Refunding	2005 Series II A Multi-Modal	2005 Series II B Multi-Modal	2006 Series I A Refunding	2006 Series I B Refunding	2007 Series I Multi-Modal	Totals
\$ 1,590	\$ -	\$ 2,500	\$ -	\$ 2,455	\$ 1,800	\$ 100,475
2,035	-	-	-	2,585	2,400	99,085
2,805	-	-	-	2,715	2,500	104,740
3,690	-	540	-	2,860	2,600	111,355
3,835	-	865	-	3,010	2,800	115,595
4,395	-	895	3,065	110	2,900	121,950
5,020	-	940	3,175	-	3,000	128,555
5,700	-	985	3,175	-	3,200	135,630
6,430	-	2,010	14,615	-	3,300	134,280
6,750	40,100	-	23,935	-	3,500	136,610
7,090	-	-	75,420	-	3,700	142,290
7,445	-	-	75,420	-	3,900	142,530
7,815	-	-	75,420	-	4,100	144,730
8,205	-	-	75,420	-	4,300	130,595
8,615	-	-	56,595	-	4,500	126,425
9,045	-	-	56,595	-	4,700	129,885
9,500	-	-	56,595	-	4,900	116,580
9,975	-	-	56,595	-	5,200	113,330
10,470	-	-	56,595	-	5,400	108,150
10,995	-	-	56,595	-	5,700	111,140
11,545	-	-	56,595	-	5,400	113,700
12,125	-	-	61,820	-	5,500	116,840
12,730	-	-	84,145	-	5,800	119,615
13,365	-	-	84,145	-	5,400	120,700
14,035	-	-	85,660	-	-	118,375
14,735	-	-	67,275	-	-	100,060
15,470	-	-	68,265	-	-	83,735
12,875	-	-	71,675	-	-	84,550
2,285	-	-	61,280	-	-	63,565
<u>\$ 240,570</u>	<u>\$ 40,100</u>	<u>\$ 8,735</u>	<u>\$ 1,330,075</u>	<u>\$ 13,735</u>	<u>\$ 96,500</u>	<u>\$ 3,375,070</u>